This column is compiled by Consultant [EXIM Policy] of EPCH. It contains recent Public Notices, Notifications and Circulars of DGFT, CBEC and Department of Revenue. If a handicraft exporter has question[s] to ask on Foreign Trade Policy, he/she may please write / e-mail to EPCH at policy@epch.com

Impex # 1

Union Budget for 2016-17 announced

Budget 2016 does not contain any export promotion measure for the sagging merchandise exports for the last fourteen months.

The Union Budget 2016 for the year 2016-17 was presented by the Union Finance Minister in the Lok Sabha on 29th February, 2016.

Initiating the speech the Finance Minister said,

"I am presenting this Budget when the global economy is in serious crisis. Global growth has slowed down from 3.4% in 2014 to 3.1% in 2015. Financial markets have been battered and global trade has contracted. Amidst all these global headwinds, the Indian economy has held its ground firmly. Thanks to our inherent strengths and the policies of this Government, a lot of confidence and hope continues to be built around India.

Our agenda for the next year is, therefore, to 'Transform India' in this direction. My Budget proposals are, therefore, built on this transformative agenda with nine distinct pillars. These include:

(i) Agriculture and Farmers' Welfare: with focus on doubling farmers' income in five years;

(ii) Rural Sector: with emphasis on rural employment and infrastructure;

(iii) Social Sector including Healthcare: to cover all under welfare and health services;

(iv) Education, Skills and Job Creation: to make India a knowledge based and productive society;

(v) Infrastructure and Investment: to enhance efficiency and quality of life;

(vi) Financial Sector Reforms: to bring transparency and stability;

(vii) Governance and Ease of Doing Business: to enable the people to realise their full potential;

(viii) Fiscal Discipline: prudent management of Government finances and delivery of benefits to the needy; and

(ix) Tax Reforms: to reduce compliance burden with faith in the citizenry.

In each of these themes, I shall outline specific policy measures and initiatives which would have a transformative impact on our economy and the lives of our people."

From perusal of the details of the agenda above it will be seen that export promotion is not in the agenda inspite of the that exports have been declining continuously for more than a year by now. Perhaps the thinking of the Finance Minister is that exports are faring badly on account of demand recession & when the demand revives, the Indian exports will pick up automatically.

The budget have been hailed by all those who have benefitted from it and there is a large number of sectors in it. For us (exporters) there is nothing in the budget to hail about.

Impex # 2

SEZs in the Budget 2016

MAT and Dividend Distribution Tax not abolished in Budget 2016. Deadline fixed for units to get going to avail tax benefits.

Late Shri Murasoli Maran who was Minister of Commerce at the centre for a number of year in ninetees was a very strong advocate of the SEZ Scheme. He put in lot of efforts to push the scheme in India during his tenure as Minister. He used to call the scheme as an 'engine of growth'.

As a result of the efforts of Shri Maran, the SEZ Scheme was be linked from the FTP (Foreign Trade Policy) and began to operate under its own act known as SEZ Act of 2005. Lot of income tax benefits were given in SEZ Act itself. The scheme was free from MAT (Minimum Alternate Tax) and DDT (Dividend Distribution Tax). In 2011 both MAT and DDT were imposed on SEZ developers and units located in SEZs.

Both the levies as detailed above have retarded the progress of the SEZ Scheme. Before the presentation of Budget 2016, the Minister of Commerce made a very strong representation to the Ministry of Finance to abolish both the burdens but the request has not found favour. On the contrary a restrictive provision has been added (para 122(C) of the budget speech) on the SEZ units according to which the benefit of section 10AA to new SEZ units will be available to those units which commence activity before 31.3.2020.

Impex # 3 — Questions & Answers

Question : What are the rules for grant of getting exemption for exports of goods free of cost to a buyer of goods free of cost to a buyer abroad for exports promotion?

Answer : Banks may consider request for grant of EDF waiver from exporters for export of goods free of cost, for export promotion up to 2 per cent of the average annual exports of the applicant during the preceding three financial years subject to a ceiling of INR 5 lakhs. For status holder exporters, the limit as per the present Foreign Trade Policy is INR 10 lakhs or 2 per cent of the average annual export realization during the preceding three licensing years (April-March), whichever is lower.

Question : If a buyer is on visit to India and wants to pay through credit card, can we accept the same as per Indian banking requirement?

Answer : When payment for goods sold to overseas buyers during his visit is received in this manner, EDF (duplicate) is released by the banks only on receipt of funds in their Nostro account for if the bank concerned is not the Credit Card servicing bank, on production of certificate by the exporter from the Credit Card servicing bank in India to the effect that is has received the equivalent amount in foreign exchange. Banks may also receive payment for exports made out of India by debit to the credit card of an importer where reimbursement from the card issuing bank/ organization will be received in foreign exchange.

Question : One of the reasons for non-utilization of factoring in India is the recourse condition in factoring. This puts burden on exporter despite having sold his claim to a factor. Why cannot we make it non-recourse?

Answer : Taking into account the recommendation made by the technical committee on facilities and services to the exporters, it has been decided to permit banks to factor the export receivables on a non-recourse basis, so as to enable the exporters to improve their cash flow and meet their working capital requirements subject to conditions as detailed by the RBI. You may please update yourself.

Question : As per the terms and conditions of Advance Authorization, we have to give 15 per cent value addition. However, due to reduction in metal prices recently, the value addition comes to only 10. What can be done in this matter?

Answer : Achieving 15 per cent value addition is necessary under Advance Authorisation. If value addition, an amount equal to 1 per cent of shortfall in FOB value in Indian Rupees is required to be deposited with DGFT to regularize the same.